

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00

OMB-01 L-03 SS-15 NSC-05 STR-04 ITC-01 /112 W

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R 271549Z OCT 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2780

INFO USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, EFIN, EINV, OECD

SUBJECT: REVIEW OF OECD XCSS, CIME AND TRADE COMMITTEE  
WORK PROGRAMS

REF: (A) OECD PARIS 30503; (B) OECD PARIS 30590  
(C) BONN 17604

1. SUMMARY. EMBOFF MET WITH ECONMIN DEPUTY ASSISTANT SECRETARY ABRAMOWSKI TO DISCUSS OUTCOME OF OCTOBER 14-15 XCSS SESSION AND TO REVIEW OTHER WORK BEFORE OECD. ABRAMOWSKI WAS PLEASED WITH XCSS DECISION TO ASSIGN EAST-WEST EXERCISE TO ESTABLISHED OECD COMMITTEES RATHER THAN SET UP NEW EXPERTS GROUP. HE CONFIRMED HIS READINESS TO TAKE CHAIRMANSHIP OF CIME AT START OF NOVEMBER 9-10 SESSION. WHILE HE BELIEVES CIME CAN PLAY USEFUL ROLE IN PREPARING FOR OECD GROUP INPUT INTO UN EXERCISE, HE BELIEVES THIS WORK SHOULD BE COMPLETELY SEPARATE FROM CIME WORK RELATED TO OECD CODE. HE SUGGESTED THAT TRADE PLEDGE MIGHT BE RENEWED UNTIL COMPLETION OF TOKYO ROUND. END SUMMARY.

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2. XCSS. ABRAMOWSKI BEGAN DISCUSSION BY RECALLING

THAT A TELEVISION NEWS PROGRAM WHICH TOOK PLACE SEVERAL DAYS AFTER CONCLUSION OF XCSS STATED THAT EASTERN EUROPEAN DEBTS HAVE RISEN SHARPLY IN THE COURSE OF THIS YEAR, AND THAT OECD COUNTRIES HAD JUST MET IN PARIS AT THE INITIATIVE OF SECRETARY KISSINGER TO CONSIDER THIS SITUATION. THE NEWS BROADCAST MADE IT APPEAR THAT THE OECD MEMBERS WERE DEALING IN SECRET WITH AN URGENT PROBLEM, SINCE NO REFERENCE WAS MADE TO FACT THAT THE SECRETARY'S RECOMMENDATION WAS MADE SEVERAL MONTHS BEFORE AT OECD MINISTERIAL. THE ECONOMICS MINISTRY RECEIVED A NUMBER OF INQUIRIES IN THE DAYS FOLLOWING THIS BROADCAST AND WAS PUT TO SOME PAINS TO EXPLAIN BACKGROUND OF XCSS SESSION. ABRAMOWSKI ARGUED THAT THIS WAS PRECISELY THE TYPE OF PUBLICITY THAT THE FRG WANTED TO AVOID. ABRAMOWSKI WAS THEREFORE PLEASED THAT FUTURE EAST-WEST WORK WILL NORMALLY BE DONE BY ESTABLISHED OECD COMMITTEES RATHER THAN BY A SPECIAL XCSS EXPERTS GROUP. HE DID ACKNOWLEDGE THAT IT WOULD BE APPROPRIATE FOR THE XCSS TO RETURN TO THE SUBJECT AT SOME POINT WHEN BROAD POLICY CONSIDERATIONS ARE RIPE FOR REVIEW. HE STATED THAT IT WOULD BE PREFERABLE TO HAVE THE XCSS RATHER THAN THE COUNCIL UNDERTAKE SUCH A REVIEW, SINCE THE REVIEW WOULD REQUIRE PARTICIPATION BY OFFICIALS FROM CAPITALS ABLE TO PARTICIPATE IN AN OPEN GIVE AND TAKE OF VIEWS.

3.CIME. ABRAMOWSKI REVIEWED THE AGENDA FOR THE NEXT CIME MEETING, NOTING THAT IT MUST DEAL WITH THREE BASIC ISSUES: PREPARATION FOR UN EXERCISE, IMPLEMENTATION OF OECD CODE, AND CHARTING FUTURE WORK FOR CIME ITSELF. ABRAMOWSKI BELIEVED THAT CIME COULD PLAY A USEFUL ROLE IN PREPARATION FOR THE UN WORK ON TNCS. HE NOTED THAT SOME ASPECTS OF GOVERNMENT POLICY OR OBLIGATIONS WERE NOT SPELLED OUT THOROUGHLY IN THE OECD EXERCISE (HE ADDED THAT SUCH OBLIGATIONS DID NOT HAVE TO BE SPELLED OUT, IN VIEW OF NATURE OF THAT EXERCISE AND RELATIONS EXISTING AMONG THE OECD COUNTRIES). HE THOUGHT THAT IT MIGHT BE USEFUL TO BEGIN AN ELABORATION OF WHAT COULD BE OFFERED BY THE OECD COUNTRIES IN THIS AREA. HOWEVER, HE STRESSED THAT THIS WORK MUST BE KEPT COMPLETELY LIMITED OFFICIAL USE

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SEPARATE FROM THAT OF IMPLEMENTING THE OECD CODE. IN HIS VIEW THE OECD CODE SHOULD CLEARLY NOT BE REOPENED. ABRAMOWSKI DOUBTED THAT THERE WAS MUCH THAT CIME COULD DO AT THIS POINT ON ILLICIT PAYMENTS. HE SUGGESTED THAT THIS PROBLEM WAS RELATED MORE TO TRADE THAN TO OPERATIONS OF MNCS, AND SAID THAT RESPONSIBILITY WITHIN ECONOMICS MINISTRY FOR UN EXERCISE HAD BEEN SHIFTED FROM INTERNATIONAL INVESTMENT OFFICE TO TRADE LAW STAFF.

4. IN DISCUSSING IMPLEMENTATION OF OECD CODE,  
ABRAMOWSKI MUSED THAT THIS MAY NOT BE AS EASY A TASK  
AS IT APPEARS, INASMUCH AS DIFFERENCES ON PROCEDURAL  
APPROACHES PROBABLY MASK DIFFERING SUBSTANTIVE POSITIONS.  
THE CIME WILL ALSO HAVE TO DEAL WITH THE PROBLEM OF THE  
RELATION OF THE OECD CODE TO THE CAPITAL MOVEMENTS CODE,

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AND OF THE RELATIONSHIP OF THE CIME ITSELF TO THE  
INVISIBLES COMMITTEE. ATTENTION WILL ALSO HAVE TO BE  
GIVEN TO THE ORGANIZATION OF MORE PERMANENT BACK-UP  
BY THE SECRETARIAT, FOR ABRAMOWSKI BELIEVES THAT THE  
AD HOC ARRANGEMENTS THAT HAVE EXISTED IN THE PAST WILL  
NOT BE SATISFACTORY OVER THE LONG RUN.

5. ABRAMOWSKI NOTED THAT THE CIME WILL ALSO HAVE TO  
BEGIN TO EXPLORE ITS FUTURE WORK PROGRAM. THIS MUST  
INVOLVE A REOPENING OF THE DEBATE ON WHETHER CIME WORK  
SHOULD EMPHASIZE FOREIGN INVESTMENT OR MNCS. REGARDING

CHAIRMANSHIP QUESTION, ABRAMOWSKI SAID THAT HE HAS NOT YET HEARD FROM NIKLASSON (SEE REF C). NOTING THAT THERE IS STILL SOME TIME, HE INDICATED THAT HE WOULD RATHER NOT TAKE ANY INITIATIVE HIMSELF AT THIS POINT.

6. TRADE COMMITTEE. ABRAMOWSKI INDICATED THAT A MAJOR TASK BEFORE THE TRADE COMMITTEE WILL BE TO BEGIN CONSIDERATION AGAIN OF WHETHER THE TRADE PLEDGE SHOULD BE RENEWED. IF THE COMMITTEE DECIDES NOT TO RENEW, LIMITED OFFICIAL USE

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IT MUST BE EXTREMEIY CAREFUL IN EXPLAINING WHY THE PRESENT SITUATION NO LONGER REQUIRES THIS PLEDGE. PERHAPS ONE COULD POINT TO THE REVIVAL OF ECONOMIC GROWTH AND TRADE AMONG OECD COUNTRIES, AND TO THE RELATIVE ABSENCE OF TRADE RESTRICTIONS. AS AN ALTERNATIVE, ABRAMOWSKI SUGGESTED THAT THE PLEDGE MIGHT BE RENEWED FOR ONE MORE YEAR, ON THE PRESUMPTION THAT THE TOKYO ROUND WILL BE SUCCESSFULLY CONCLUDED AT THE END OF 1977. IN THIS CASE THE OECD COULD POINT TO THE CONCLUSION OF THE TOKYO ROUND AS JUSTIFICATION FOR ANNOUNCING THAT THE TRADE PLEDGE IS NO LONGER REQUIRED. ABRAMOWSKI NOTED THE EMPHASIS GIVEN BY THE XCSS TO THE ROLE OF THE TRADE COMMITTEE IN THE EAST-WEST EXERCISE. HE OPINED THAT THE TRADE COMMITTEE IS INDEED THE BEST PLACE TO HANDLE THIS WORK. THE DEBT ISSUE IN PARTICULAR COULD BE HANDLED BY THE WORKING GROUP ON EXPORT CREDITS. AS A SUGGESTION FOR MAKING THE TRADE COMMITTEE MORE EFFECTIVE, ABRAMOWSKI RECOMMENDED THAT THE DINNER NOW HELD AFTER THE FIRST DAY BE CHANGED TO A WORKING DINNER BEFORE THE SESSION BEGINS. SUCH A DINNER COULD WELL BE MODELLED UPON THE RESTRICTED GROUP DINNER HELD PRIOR TO THE XCSS IN WHICH PARTICIPANTS MEET QUITE EARLY, PERHAPS TWO HOURS BEFORE THE DINNER ITSELF WOULD BEGIN.  
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